

Message Text

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ORIGIN ARA-17

INFO OCT-01 ADP-00 IGA-02 L-03 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ

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E. O. 11652: N/ A

TAGS: EAID, BL

SUBJECT: POSSIBLE REQUEST FOR NEW PROGRAM LOAN

REF: LA PAZ 2726

1. CENTRAL BANK PRESIDENT SALAZAR AND FINANCIAL ADVISOR NESTOR SAINZ CALLED ON OFFICE DIRECTOR FISHER MAY 14 TO SOUND OUT USG AS TO POSSIBILITY OF NEW PROGRAM LOAN TO FINANCE GOB COUNTERPART CONTRIBUTIONS FOR VARIOUS APPROVED LOAN PROJECTS FINANCED BY OTHER DONORS. IF USG RECEPTIVE, THEY SAID, MINFIN BEDREGAL WOULD REQUEST MEETING WITH ACTING ASSISTANT SECRETARY CRIMMINS AND ASSISTANT ADMINISTRATOR KLEINE NEXT WEEK WHILE IN WASHINGTON. STRESSING THEIR NEED FOR A CLEAR IDEA OF THE OUTLOOK FOR SUCH A LOAN, THEY EXPLAINED THAT IMF STANDBY AGREEMENT RESTRICTED DEFICIT FINANCING AND SHORT TERM DEBT WHICH, TOGETHER WITH SHORT-FALL IN PROJECTED TAX REVENUES, WILL PRECLUDE GOB COUNTERPART CONTRIBUTIONS SEVERAL IMPORTANT LOAN PROJECTS, THUS SLOWING DEVELOPMENT EFFORT. PROJECTS DELAYED DUE LACK

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COUNTERPART FUNDING INCLUDE ORURO- VINTO AND LA PAZ- BENI HIGHWAYS. GOB CAN MAKE THE \$4 MILLION LOCAL CONTRIBUTION TO THE ORURO- VINTO PROJECT IF IT HAS TO, BUT AT GREAT SACRIFICE.

2. IN REPLY FISHER AFFIRMED THAT OUR POLICY TOWARD BOLIVIA REMAINED UNCHANGED AND THAT WE ARE COMMITTED TO CONTINUING OUR ASSISTANCE TO BOLIVIAN DEVELOPMENT EFFORT. HE POINTED OUT, HOWEVER, THAT USG DOES NOT MAKE PROGRAM LOANS TO COVER LOCAL CONTRIBUTIONS FOR OTHER DONOR PROJECTS, SINCE SUCH LOANS ARE NOT THE MOST EFFECTIVE WAY TO INVEST OUR INCREASINGLY SCARCE AID RESOURCES. MOREOVER, THEY CAN BE DISINCENTIVE FOR NEEDED SELF- HELP MEASURES, MENTIONING OUR CONCERN OVER TAX CONCESSIONS ALREADY MADE TO PRESSURE GROUPS BY THE GOB. WHERE THERE IS A VALID CASE FOR REDUCING REQUIREMENTS ON GOB FOR LOCAL CONTRIBUTIONS, THIS CASE SHOULD NORMALLY BE MADE TO LENDERS CONCERNED. WHILE OUR TWO PROGRAM LOANS TO BOLIVIA IN FY-72 INCLUDED LOCAL CONTRIBUTION FINANCING, THIS EXCEPTION MADE FOR SPECIFIC PURPOSES AND UNDER VERY SPECIAL CIRCUMSTANCES RELATED TO BOLIVIA'S EMERGENCY EMPLOYMENT NEEDS. GIVEN AID POLICIES, THE DECLINING LEVEL OF AID RESOURCES AND CURRENT SITUATION IN BOLIVIA, FISHER STATED HE SAW VIRTUALLY NO HOPE USG COULD CONSIDER A PROGRAM LOAN AT THIS TIME.

3. SALAZAR AND SAINZ THANKED FISHER FOR CLARITY OF RESPONSE AND PROMISED TO ADVISE MINFIN OF CONVERSATION, ADDING THAT HE MIGHT NOT MAKE FORMAL REQUEST FOR PROGRAM LOAN. RUSH

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